

**Prince Edward Island
ENERGY CORPORATION**

**Annual Report
for Fiscal Years**

**1998-1999
and
1999-2000**

Board of Directors: 1998 - 1999

Jim Johnston, Chairman
Deputy Minister of Development

Leo Walsh, Vice Chairman

Reagh Hicken, Secretary-Treasurer

Virginia Bulger

Jim Young
Acting for Deputy Minister of Technology & Environment

Tom Harland
Deputy Minister of Transportation & Public Works

Charles Campbell

STAFF:

Wayne MacQuarrie, General Manager

Board of Directors: 1999 - 2000

Jim Johnston, Chairman
Deputy Minister of Development

Leo Walsh, Vice Chairman

Reagh Hicken, Secretary-Treasurer

Virginia Bulger

Jim Young
Acting for Deputy Minister of Technology & Environment

Joe Murphy
Acting for Deputy Minister of Transportation & Public Works

Fred Driscoll

STAFF:

Wayne MacQuarrie, CEO

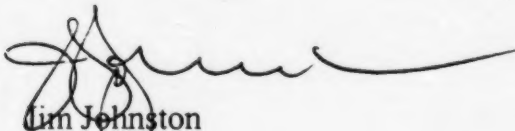
Melanie Jackson, Administrative Assistant

The Honorable Michael Currie
Minister, Development & Technology
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister:

I have the honour to present to you the attached annual report for the Prince Edward Island Energy Corporation. You will find this report summarizes activities undertaken by the P.E.I. Energy Corporation as well as the Atlantic Wind Test Site, and provides financial statements for both fiscal years 1998-99 and 1999-2000. This report has been prepared and is submitted in accordance with the Energy Corporation Act, Section 10 (1).

Respectfully submitted,



Jim Johnston
Chairman
P.E.I. Energy Corporation

1.0 INTRODUCTION

This is the 18th Annual Report of the P.E.I. Energy Corporation and covers the periods April 1, 1998 to March 31, 1999 and April 1, 1999 to March 31, 2000. The Energy Corporation was established by the Energy Corporation Act in 1978 with a mandate to develop and promote energy systems on an economic and efficient basis. Since its inception, the Corporation has operated within the general framework of the provincial energy policy which is currently the responsibility of the Minister of Development and Technology, and in fiscal year 1998-99 was the responsibility of the Minister of Development.

2.0 BOARD OF DIRECTORS

The members of the Board of Directors and their terms of office as of March 31, 1999 were:

NAME	POSITION HELD	TERM OF APPOINTMENT
Jim Johnston	Chairman	November 10, 1998 - at pleasure
Leo Walsh	Vice Chairman	November 10, 1998 - November 10, 2001
Tom Harland	Director	November 10, 1998- at pleasure
Jim Young	Acting Director	November 10, 1998 - at pleasure
Reagh Hicken	Secretary-Treasurer	November 10, 1998 - at pleasure
Charles Campbell*	Director	November 10, 1998 -November 10, 2001
Virginia Bulger	Director	November 10, 1998 - at pleasure

**Charles Campbell passed away during the reporting period.*

The members of the Board of Directors and their terms of office as of March 31, 2000 were:

NAME	POSITION HELD	TERM OF APPOINTMENT
Jim Johnston	Chairman	November 10, 1998 - at pleasure
Leo Walsh	Vice Chairman	November 10, 1998 - November 10, 2001
Tom Harland/Joe Murphy (<i>Acting</i>)	Director	November 10, 1998 - at pleasure
Jim Young	Acting Director	November 10, 1998 - at pleasure
Reagh Hicken	Secretary-Treasurer	November 10, 1998 - at pleasure
Fred Driscoll	Director	March 2, 1999 - March 2, 2002
Virginia Bulger	Director	November 10, 1998 - at pleasure

3.0 STAFF

During the fiscal year 1998-1999, Wayne MacQuarrie continued to perform his primary duties as Chief Engineer for the Department of Transportation and Public Works, with limited duties as General Manager of the P.E.I. Energy Corporation. During this period, Mr. MacQuarrie's primary responsibilities with the Corporation involved representing the Province on the Technical Advisory Committee of the Atlantic Wind Test Site.

During the 1999-2000 fiscal year, the Minister of Development for the Province directed the Board of Directors of the Corporation to focus its attention to securing supplies of natural gas for the Province and enhancing the activities at the Atlantic Wind Test Site. As a result of the need to dedicate human resources to coordinate this effort, Wayne MacQuarrie assumed full-time responsibilities with the P.E.I. Energy Corporation in September, 1999, as its Chief Executive Officer. In addition, Melanie Jackson joined the Corporation in October, 1999, as Administrative Assistant to the Chief Executive Officer.

4.0 SUMMARY OF ACTIVITIES

P.E.I. ENERGY CORPORATION

During the 1999-2000 fiscal year, Corporation staff focused on exploring the opportunities for natural gas development on Prince Edward Island, as well as attempting to enhance the activities of the Atlantic Wind Test Site. The following is a brief discussion on the status of these activities.

Natural Gas Development Plan

The Government of Prince Edward Island recognizes that the development of the Sable Offshore Energy project (SOEP), and the construction of the Maritimes & Northeast Pipeline to deliver natural gas to markets within the Maritimes and the northeastern United States, provides a timely opportunity for the Province to access and take advantage of the benefits associated with natural gas. During the past year, the Corporation has focused on determining the extent to which energy developers would be interested in creating a natural gas industry on Prince Edward Island.

During the year, the Corporation initiated a staged process to identify and fully assess the feasibility of implementing a natural gas development plan that most adequately addresses the long term energy needs of Islanders.

In February, 2000, the Corporation issued an Expression of Interest document for a Natural Gas Development Plan for Prince Edward Island. In this document, developers were asked to consider:

- *maximizing the amount of electricity generated on-Island utilizing natural gas as a fuel source;*
- *providing for a staged natural gas distribution plan for P.E.I.; and*
- *providing natural gas access for the Province's large industrial users.*

At year end, the Corporation was still awaiting responses to the call for Expressions of Interest. Developers have been given until April 28th, 2000 to respond to the call.

AWTS Funding

During the past year, the Corporation has attempted to enhance the operations of the Atlantic Wind Test Site. A strategic plan and a five year funding proposal were developed by the Corporation and submitted to the federal government for its consideration. While the strategic plan was warmly received by the federal government, the Corporation was unfortunately not successful in obtaining the increased funding levels it had sought. Natural Resources Canada, the primary funding agent for the facility, did however confirm that the Atlantic Wind Test Site would remain the principal testing and development facility for the national wind energy R & D program. Efforts to secure additional funding for the operation of the facility continue.

North Cape Wind Farm Initiative

During the 1999-2000 fiscal year, Corporation staff began the assessment into the feasibility of constructing a small, 5 Megawatt wind farm at North Cape, Prince Edward Island. The assessment is in response to an announcement by the federal government that it would be interested in purchasing, for its Island facilities, electricity generated from alternative energy sources, ie. wind. At year end, the assessment was ongoing.

ATLANTIC WIND TEST SITE

The Atlantic Wind Test Site (AWTS), a subsidiary of the P.E.I. Energy Corporation, was established in 1980 as Canada's National Wind Energy Laboratory. Since then, it has been the cornerstone of Canada's wind energy R&D program. AWTS obtains operating income from the Government of Canada, the Government of P.E.I., as well as from contract research and testing work.

Activities at AWTS during the report period have concentrated on four strategic areas.

Testing

The testing of wind turbines was the initial reason for the establishment of AWTS, and testing remains an important activity. A number of wind turbines have been tested at AWTS and are now available to the Canadian market. Some of these turbines remain in operation at AWTS for long term testing and for use in other development programs.

Some turbines recently tested include:

Lagerwey 18/80: Dutch Industries of Regina, Saskatchewan, is marketing Lagerwey wind turbines in Canada. A Lagerwey 18/80 was installed in 1993 and continues to provide long term operating experience. This unit is also being used for advanced inverter and control system technology development.

Atlantic Orient Corporation 15/50: AWTS has been operating an AOC 15/50, 65 kW turbine since 1993. This turbine is of interest for Canadian applications because it is suitable for remote community installations. This Vermont-based firm has a Canadian subsidiary for manufacturing machines for Canadian and world markets.

Wenvor-Vergnet Canada 7/25: Wenvor Technologies, an Ontario wind turbine manufacturer, in collaboration with Vergnet SA from France, is working with AWTS to evaluate and further develop their 25 kW wind turbine for the Canadian and export markets.

Technology Development

Technology development is an important element of AWTS activity. Two notable projects have been under development in the past several years.

The integration of fuel-saving wind turbines with diesel generating sets is a significant innovation for remote community electrical systems, and Canada has advanced technology under development. AWTS has developed Canada's only wind-diesel test bed which has allowed AWTS to test and develop different wind-diesel configurations and control systems to achieve reliable and smooth operation.

The key to reliable and economic wind-diesel systems, with good power quality, is computerized control. To meet this challenge, AWTS has developed an advanced Wind-Diesel Integrated Control System (WDICS) which will soon be commercially available.

AWTS is currently developing pilot projects using this technology in eastern Canada, Russia and India.

Another innovative project under study at AWTS is the Vertical Axis Wind Turbine (VAWT). This design, pioneered in Canada over twenty years ago, has many key advantages, such as easy access at ground level for maintenance and no requirement for a yawing system to align the wind turbine with the wind direction. A "dynamically soft" design, using non-rigid supports, has been computer modelled and fabricated at AWTS and is now undergoing tests. When fully developed, this concept is expected to have significant commercial potential.

Collaborative R&D

AWTS is expanding collaborations with other institutions and the private sector to advance technology development. Combining the strengths of AWTS with that of other groups greatly enhances the rate and quality of developments.

AWTS has recently concluded a three year collaboration with IREQ, the research agency of Hydro Quebec, to demonstrate the feasibility of IREQ's "High Penetration No Storage Wind-Diesel System", using AWTS' wind-diesel test bed.

AWTS has collaborated with the University of New Brunswick's Department of Electrical and Computer Engineering in a number of interesting projects in recent years. These efforts have resulted in the design and testing of three innovative new inverters to efficiently convert variable wind and solar power to stable utility grade electric power as well as a 50 kW direct drive generator that may be used with vertical axis wind turbines.

In a current collaboration, with the support of AWTS' funding agents and the Canadian Foundation for Innovation (CFI), this cooperation is being expanded with the construction of a new R&D facility that will enhance the research into renewable energy conversion and storage technologies.

This facility will be completed in the summer of 2000 and will offer a range of facilities and testing equipment to researchers in energy conversion.

AWTS is actively pursuing additional collaborative activities with other research groups.

Public Information

AWTS is a primary source of technical information for government and the private sector.

AWTS hosts many renewable energy engineers, scientists and enthusiasts each year as well as nearly 50,000 tourist visitors.

5.0 FINANCIAL STATEMENTS

The non-consolidated and consolidated financial statements for the years ending March 31, 1999 and March 31, 2000 prepared auditors of the Energy Corporation and the Atlantic Wind Test Site follow:

Non-consolidated Financial Statements of

**PRINCE EDWARD ISLAND
ENERGY CORPORATION**

Year ended March 31, 1999





Beaton Fitzpatrick Murray

Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
P.J. Trainor, CA

Bonded Warehouse
91 Water Street
P.O. Box 2158
Charlottetown
Prince Edward Island
C1A 8B9

Tel: (902) 892-5365
Fax: (902) 892-0383
Email: bfm@bfm.pe.ca

AUDITORS' REPORT TO THE DIRECTORS

We have audited the non-consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 1999 and the non-consolidated statements of surplus, earnings - operating and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, except that they are prepared on a non-consolidated basis as disclosed in note 1(a).

Chartered Accountants

Charlottetown, P.E.I.
July 7, 1999

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Balance Sheet

March 31, 1999, with comparative figures for 1998

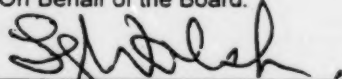
	1999	1998
Assets		
Current assets:		
Cash	\$ 28,180	\$ -
Accounts receivable	89	21,977
	28,269	21,977
Investment in The Atlantic Wind Test Site Inc.	1	1
	\$ 28,270	\$ 21,978

Liabilities and Surplus

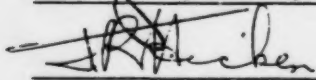
Current liabilities:		
Bank indebtedness (note 2)	\$ -	\$ 16,800
Accounts payable and accrued liabilities	28,270	5,178
Uncertainty (note 3)		
	\$ 28,270	\$ 21,978

See accompanying notes to non-consolidated financial statements.

On Behalf of the Board:



Director



Director

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings - Operating

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Revenue:		
Grants - Province of Prince Edward Island	\$ 2,041	\$ 44,756
Income - projects	62,131	62,131
	64,172	106,887
Expenses:		
Projects - regular	62,131	62,131
Administration:		
Audit	1,081	2,766
Consulting and legal	165	332
Office supplies	235	74
Travel	484	-
Severance	-	41,461
	64,096	106,764
Earnings before other income	76	123
Other income - interest	2,044	1,165
Net earnings	\$ 2,120	\$ 1,288

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Earnings - operating for the year	\$ 2,120	\$ 1,288
Net earnings	2,120	1,288

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Surplus

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Surplus, beginning of year	\$ -	\$ -
Earnings - operating for the year	2,120	1,288
	2,120	1,288
Contribution to Province of Prince Edward Island	(2,120)	(1,288)
Surplus, end of year	\$ -	\$ -

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Changes in Financial Position

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings - operating	\$ 2,120	\$ 1,288
Change in non-cash operating working capital	44,980	(26,568)
	47,100	(25,280)
Financing:		
Contribution to Province of Prince Edward Island	(2,120)	(1,288)
Increase (decrease) in cash position	44,980	(26,568)
Cash, beginning of year	(16,800)	9,768
Cash, end of year	\$ 28,180	\$ (16,800)

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 1999

Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

In the 1996 fiscal year, the Corporation completed the privatization of its U.P.E.I., Energy From Waste and District Heating capital projects.

1. Significant accounting policies:

(a) Non-consolidated financial statements:

These financial statements have been prepared in accordance with generally accepted accounting principles except that they have not been consolidated with those of the corporation's subsidiary.

The investment in the subsidiary is accounted for by the cost method, whereby income of the subsidiary is recorded in the accounts only to the extent of dividends received during the year.

The Canadian Institute of Chartered Accountants has recommended that financial statements prepared for issuance to shareholders should normally be prepared on a consolidated basis. In addition, the C.I.C.A. has recommended that the equity method be used to account for investments in companies over which the corporation is able to exercise significant influence. However, in this case the shareholders have access to all pertinent information concerning the resources and results of operations of the corporation and its subsidiary as a group, and they have unanimously agreed that they do not require consolidated financial statements for presentation at the annual meeting of the shareholders. In addition, they have unanimously agreed that they do not require the investment in associated company to be accounted for by the equity method. Accordingly, the accounts of the subsidiary have not been prepared on a consolidated basis, and the investment in associated company has not been accounted for by the equity method. As these financial statements have not been prepared for general purposes, some users may require further information.

Consolidated financial statements have been prepared separately.

2. Bank indebtedness:

Bank indebtedness consists of bank overdraft.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 1999

3. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may arise before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

4. Related party transactions:

The Corporation has a wholly owned subsidiary, The Atlantic Wind Test Site Inc., which conducts wind energy research on Prince Edward Island. The investment consists of 5,000 common shares without nominal or par value.

Included in regular project expenses are payments of \$ 62,131. (1998 - \$ 62,131.) to the subsidiary. Included in accounts payable and accrued liabilities is \$ 5,178. (1998 - \$ 5,178.) which represents amounts payable by the Corporation to its subsidiary at March 31, 1999.

Consolidated Financial Statements of

**PRINCE EDWARD ISLAND
ENERGY CORPORATION**

Year ended March 31, 1999





Beaton Fitzpatrick Murray
Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
P.J. Trainor, CA

Bonded Warehouse
91 Water Street
P.O. Box 2158
Charlottetown
Prince Edward Island
C1A 8B9

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Fax: (902) 892-0383
Email: bfm@bfm.pe.ca

AUDITORS' REPORT

To the Directors of
Prince Edward Island Energy Corporation

We have audited the consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 1999 and the consolidated statements of deficit, earnings - operating, and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Charlottetown, P.E.I.

July 7, 1999

PRINCE EDWARD ISLAND ENERGY CORPORATION

Consolidated Balance Sheet

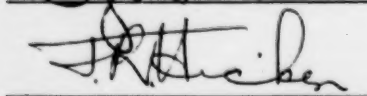
March 31, 1999, with comparative figures for 1998

	1999	1998
ASSETS		
Current assets:		
Cash	\$ 28,180	23,482
Accounts receivable	258,945	73,796
Holdbacks receivable	56,893	43,893
Prepaid expenses	11,441	1,369
Inventories - maintenance and construction supplies	1,369	1,349
	<u>\$356,828</u>	<u>143,889</u>
LIABILITIES AND DEFICIT		
Current liabilities:		
Bank indebtedness	\$ 62,924	16,800
Accounts payable and accrued liabilities	187,016	50,790
Royalties payable	39,238	13,614
Deferred revenue - projects	129	6,400
	<u>289,307</u>	<u>87,604</u>
Reserve for equipment	68,337	68,337
Deficit (note 3)	(816)	(12,052)
Contingency (note 3)		
	<u>\$356,828</u>	<u>143,889</u>

See accompanying notes to financial statements

On Behalf of the Board:

 Director

 Director

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Deficit**Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Surplus (deficit), beginning of year	\$ (12,052)	11,710
Earnings (loss) - operating for the year (page 3)	13,356	(22,474)
	1,304	(10,764)
Contribution to Province of Prince Edward Island	(2,120)	(1,288)
Deficit, end of year	\$ (816)	(12,052)

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Consolidated Statement of Earnings - Operating

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Revenues:		
Grants - Province of Prince Edward Island	\$ 64,172	106,887
- Government of Canada	278,261	195,261
	<u>342,433</u>	<u>302,148</u>
Expenses:		
Audit	4,956	6,642
Consulting and legal	5,974	4,458
Materials and supplies	3,563	3,995
Heat and lights	7,562	8,999
Miscellaneous	3,517	8,748
Insurance	3,286	3,230
Office and computer equipment	10,742	4,742
Office supplies	4,992	2,465
Operations and maintenance	11,341	14,834
Severance	-	41,461
Telephone	4,361	4,636
Travel	15,834	10,849
Wages and levies	208,352	191,832
WDICS Pilot	3,469	-
Year 2000 Conversion	60,127	-
	<u>348,076</u>	<u>306,891</u>
Loss before the undernoted	(5,643)	(4,743)
Earnings (loss) - projects	16,955	(18,896)
Other income (note 2)	2,044	1,165
Net earnings (loss)	<u>\$ 13,356</u>	<u>(22,474)</u>

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Changes in Financial Position****Year ended March 31, 1999, with comparative figures for 1998**

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings (loss) - operating	\$ 13,356	(22,474)
Change in non-cash operating working capital	(52,662)	57,202
	(39,306)	34,728
Financing:		
Contribution to Province of Prince Edward Island	(2,120)	(1,288)
Increase (decrease) in cash position	(41,426)	33,440
Cash, beginning of year	6,682	(26,758)
Cash, end of year	\$ (34,744)	6,682
Represented by:		
Cash	\$ 28,180	23,482
Bank indebtedness	(62,924)	(16,800)
	\$ (34,744)	6,682

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 1999

The Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

In the 1996 fiscal year, the Corporation completed the privatization of its U.P.E.I., Energy From Waste and District Heating capital projects.

1. Significant accounting policies:

(a) Basis of presentation

The consolidated financial statements include the accounts of the corporation's 100% owned subsidiary, The Atlantic Wind Test Site Inc.

(b) Inventories

Inventories of maintenance and construction supplies are valued at the lower of cost and net realizable value as determined by management.

2. Other income:

	1999	1998
Interest	\$2,044	1,165
	<u>\$2,044</u>	<u>1,165</u>

3. Contingency:

The Atlantic Wind Test Site Inc. receives cost-shared funding under an operating agreement with Natural Resources Canada. This agreement includes provisions which require the pro-rata repayment of any surplus in the event that activities of the Test Site are terminated. The company has a deficit as of March 31, 1999 of \$ 816.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 1999

4. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may arise before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Non-consolidated Financial Statements of

**PRINCE EDWARD ISLAND
ENERGY CORPORATION**

Year ended March 31, 2000



Beaton Fitzpatrick Murray

Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
P.J. Trainor, CA

Bonded Warehouse
91 Water Street
P.O. Box 2158
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Email: bfm@bfm.pe.ca

AUDITORS' REPORT TO THE DIRECTORS

We have audited the non-consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 2000 and the non-consolidated statements of earnings - operating, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, except that they are prepared on a non-consolidated basis as disclosed in note 1(a).

Chartered Accountants

Charlottetown, P.E.I.
June 8, 2000

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Balance Sheet

March 31, 2000, with comparative figures for 1999

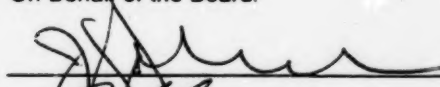
	2000	1999
Assets		
Current assets:		
Cash	\$ 19,365	\$ 28,180
Accounts receivable	7,031	89
	26,396	28,269
Investment in The Atlantic Wind Test Site Inc.	1	1
	\$ 26,397	\$ 28,270

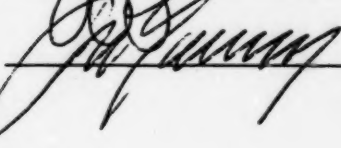
Liabilities and Surplus

Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,397	\$ 28,270
Uncertainty (note 2)		
	\$ 26,397	\$ 28,270

See accompanying notes to non-consolidated financial statements.

On Behalf of the Board:

 Director

 Director

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings - Operating

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Revenue:		
Grants - Province of Prince Edward Island	\$ 121,592	\$ 2,041
Income - projects	66,066	62,131
	187,658	64,172
Expenses:		
Projects - regular	66,066	62,131
Administration:		
Advertising	13,027	-
Audit	1,250	1,081
Consulting and legal	-	165
Materials and supplies	1,004	-
Miscellaneous	220	-
Office and computer equipment	14,432	-
Office supplies	889	235
Telephone	1,841	-
Travel	15,991	484
Vehicle allowance	4,241	-
Wages	70,261	-
	189,222	64,096
Earnings (loss) before other income	(1,564)	76
Other income - interest	1,564	2,044
Net earnings	\$ -	\$ 2,120

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Earnings - operating for the year	\$ -	\$ 2,120
Net earnings	\$ -	\$ 2,120

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Surplus

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Surplus, beginning of year	\$ -	\$ -
Earnings - operating for the year (page 3)	-	2,120
	-	2,120
Contribution to Province of Prince Edward Island	-	(2,120)
Surplus, end of year	\$ -	\$ -

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Cash Flows

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Cash provided by (used in):		
Operations:		
Net earnings - operating	\$ -	\$ 2,120
Change in non-cash operating working capital	(8,815)	44,980
	(8,815)	47,100
Financing:		
Contribution to Province of Prince Edward Island	-	(2,120)
Net increase (decrease) in cash	(8,815)	44,980
Cash, beginning of year	28,180	(16,800)
Cash, end of year	\$ 19,365	\$ 28,180

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 2000

Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

In the 1996 fiscal year, the Corporation completed the privatization of its U.P.E.I., Energy From Waste and District Heating capital projects.

1. Significant accounting policies:

(a) Non-consolidated financial statements:

These financial statements have been prepared in accordance with generally accepted accounting principles except that they have not been consolidated with those of the corporation's subsidiary.

The investment in the subsidiary is accounted for by the cost method, whereby income of the subsidiary is recorded in the accounts only to the extent of dividends received during the year.

The Canadian Institute of Chartered Accountants has recommended that financial statements prepared for issuance to shareholders should normally be prepared on a consolidated basis. In addition, the C.I.C.A. has recommended that the equity method be used to account for investments in companies over which the corporation is able to exercise significant influence. However, in this case the shareholders have access to all pertinent information concerning the resources and results of operations of the corporation and its subsidiary as a group, and they have unanimously agreed that they do not require consolidated financial statements for presentation at the annual meeting of the shareholders. In addition, they have unanimously agreed that they do not require the investment in associated company to be accounted for by the equity method. Accordingly, the accounts of the subsidiary have not been prepared on a consolidated basis, and the investment in associated company has not been accounted for by the equity method. As these financial statements have not been prepared for general purposes, some users may require further information.

Consolidated financial statements have been prepared separately.

(b) Capital assets:

Capital assets are expensed in the year of acquisition. Capital assets not recorded in the statement of financial position include office and computer equipment. During the year, the Corporation expensed \$ 4,996 and \$ 9,436 for office and computer equipment respectively.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 2000

2. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

3. Government funding:

The total amount of funding authorized by the Province of Prince Edward Island for the March 31, 2000 fiscal year was \$ 198,500. Of the total amount authorized, the Prince Edward Island Energy Corporation used \$ 187,658.

4. Related party transactions:

The Corporation has a wholly owned subsidiary, The Atlantic Wind Test Site Inc., which conducts wind energy research on Prince Edward Island. The investment consists of 5,000 common shares without nominal or par value.

Included in regular project expenses are payments of \$ 66,066. (1999 - \$ 62,131.) to the subsidiary. Included in accounts payable and accrued liabilities is \$ 9,113. (1999 - \$ 5,178.) which represents amounts payable by the Corporation to its subsidiary at March 31, 2000.

Consolidated Financial Statements of

**PRINCE EDWARD ISLAND
ENERGY CORPORATION**

Year ended March 31, 2000





Beaton Fitzpatrick Murray

Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
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AUDITORS' REPORT

To the Directors of
Prince Edward Island Energy Corporation

We have audited the consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 2000 and the consolidated statements of deficit, earnings - operating and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Charlottetown, P.E.I.
June 8, 2000

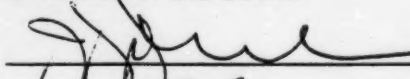
PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Balance Sheet**

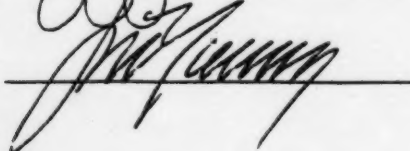
March 31, 2000, with comparative figures for 1999

	2000	1999
ASSETS		
Current assets:		
Cash	\$ 19,365	28,180
Accounts receivable	146,209	258,945
Holdbacks receivable	64,904	56,893
Prepaid expenses	1,711	11,441
Inventories - maintenance and construction supplies	2,197	1,369
Restricted cash	8,560	-
	\$242,946	356,828
LIABILITIES AND DEFICIT		
Current liabilities:		
Bank indebtedness	\$ 39,512	62,924
Accounts payable and accrued liabilities	91,305	187,016
Royalties payable	60,584	39,238
Deferred revenue - projects	8,560	129
	199,961	289,307
Reserve for equipment	68,337	68,337
Deficit (note 3)	(25,352)	(816)
Contingency (note 3)		
Uncertainty (note 4)		
	\$242,946	356,828

See accompanying notes to financial statements

On Behalf of the Board:

 Director

 Director

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Deficit**

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Deficit, beginning of year	\$ (816)	(12,052)
Earnings (loss) - operating for the year (page 3)	(24,536)	13,356
	(25,352)	1,304
Contribution to Province of Prince Edward Island	-	(2,120)
Deficit, end of year	\$ (25,352)	(816)

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Earnings - Operating**

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Revenues:		
Grants - Province of Prince Edward Island	\$ 187,658	64,172
- Government of Canada	242,900	278,261
	430,558	342,433
Expenses:		
Advertising	13,027	-
Audit	5,125	4,956
Consulting and legal	12,600	5,974
Materials and supplies	11,026	3,563
Heat and lights	9,653	7,562
Miscellaneous	8,836	3,517
Insurance	3,840	3,286
Office and computer equipment	24,333	10,742
Office supplies	6,829	4,992
Operations and maintenance	3,057	11,341
Telephone	6,138	4,361
Travel	29,056	15,834
Vehicle allowance	4,241	-
Wages and levies	313,248	208,352
WDICS Pilot	-	3,469
Year 2000 Conversion	1,564	60,127
	452,573	348,076
Loss before the undernoted	(22,015)	(5,643)
Earnings (loss) - projects	(4,085)	16,955
Other income (note 2)	1,564	2,044
Net earnings (loss)	\$ (24,536)	13,356

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Cash Flows**

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Cash provided by (used in):		
Operations:		
Net earnings (loss) - operating	\$ (24,536)	13,356
Change in non-cash operating working capital	47,693	(52,662)
	23,157	(39,306)
Financing:		
Contribution to Province of Prince Edward Island	-	(2,120)
Net increase (decrease) in cash	23,157	(41,426)
Cash, beginning of year	(34,744)	6,682
Cash, end of year	\$ (11,587)	(34,744)
Represented by:		
Cash	\$ 19,365	28,180
Restricted cash	8,560	-
Bank indebtedness	(39,512)	(62,924)
	\$ (11,587)	(34,744)

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2000

The Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

In the 1996 fiscal year, the Corporation completed the privatization of its U.P.E.I., Energy From Waste and District Heating capital projects.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the corporation's 100% owned subsidiary, The Atlantic Wind Test Site Inc.

(b) Inventories:

Inventories of maintenance and construction supplies are valued at the lower of cost and net realizable value as determined by management.

2. Other income:

	2000	1999
Interest	\$1,564	2,044
	\$1,564	2,044

3. Contingency:

The Atlantic Wind Test Site Inc. receives cost-shared funding under an operating agreement with Natural Resources Canada. This agreement includes provisions which require the pro-rata repayment of any surplus in the event that activities of the Test Site are terminated. The company has a deficit as of March 31, 2000 of \$ 25,352.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2000

4. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.